

**STATEMENT OF THE HONORABLE FEDERICO PEÑA
SECRETARY OF TRANSPORTATION
BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON SURFACE TRANSPORTATION
MAY 2, 1996**

REAUTHORIZATION OF ISTEA

Mr. Chairman, I welcome this opportunity to testify on one of the Department of Transportation's highest priorities -- reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991, or ISTEA as we all call it. Consistent with the spirit of that landmark legislation, the Department of Transportation has in recent years become more and more intermodal in all its operations. Joining me today are four of the Department's Modal Administrators with responsibilities for surface transportation: Rodney Slater, Federal Highway Administrator; Gordon Linton, Federal Transit Administrator; Ricardo Martinez, National Highway Traffic Safety Administrator; and Jolene Molitoris, Federal Railroad Administrator.

Your Committee played a key leadership role in developing ISTEA -- truly visionary legislation -- legislation that has led to dramatic improvements in the way our Nation plans and builds our great transportation systems. As we move toward reauthorization of ISTEA, we want to build on these achievements. President Clinton has stated that America's competitiveness in the world economy rests on the foundation of its infrastructure. Under the President's leadership, federal transportation infrastructure investment over the past three years has been

over ten percent higher than it was in FY 1993. Our FY 1997 budget continues this strong record: we propose \$24.9 billion in new investment -- \$1.8 billion higher than the FY 1993 level we inherited.

We have structured our reauthorization efforts to maximize the opportunity to learn what aspects of ISTEA are working, and what can be improved. This will be a three-stage process.

The first step is outreach and information gathering. I recognize that today's hearing is part of a series of hearings that your Committee has scheduled. These hearings will contribute a great deal to our understanding of ISTEA and all its elements. At DOT we are also seeking the views of the transportation community by sponsoring a series of regional fora this spring and summer. The first of those fora will be held May 13 in Philadelphia, and the second, on May 21, in Chicago. The rest of the schedule will be finalized shortly. We plan to hold a forum in each of our regions. I would like to invite Members of Congress to join us in these listening sessions.

The second step -- development of specific proposals for reauthorization -- will take place in the Fall, after our outreach process has been completed. Finally, in the last stage we anticipate that the Department's ISTEA reauthorization proposal will be submitted to Congress next winter, along with the President's proposed FY 1998 budget. We look forward to working with the Congress as reauthorization legislation is considered.

This is just the beginning of what I hope will be a fruitful dialogue on reauthorization. It is still early in this debate. Therefore, I do not

have specific legislative recommendations for you this morning. Instead, I would like to respond to those who question the need for a Federal role in transportation and would turn back all or virtually all of that role to the states.

IMPORTANCE OF TRANSPORTATION AND ISTEA

As we begin this dialogue, it is worth reminding ourselves that the stakes -- for all of us -- are very high indeed. This Committee is well aware of the vital role that transportation plays in assuring America's economic prosperity and quality of life. From the colonial post roads and canals that expanded our frontiers, to the railroads and Interstate Highways that linked a growing country, to the transit systems that made possible the development of our great cities -- America's economic progress has always been closely linked to advances in transportation. And some of the most dramatic advances occurred through strong Federal programs and leadership.

And along the way, transportation became more than just a means to prosperity -- it became a big economic player in its own right. Today, the transportation sector accounts for business activity valued at more than \$700 billion annually -- about one-ninth of our entire economy -- including everything from auto manufacturing to air travel to freight shipping. One in ten Americans is employed in the industries which provide these goods and services, and all of us depend upon them.

As our national economy becomes more fully integrated and as America increasingly becomes part of a larger global economy, transportation will only become more important to our standard of living.

Logistical innovations such as intermodalism and flexible "just-in-time" delivery systems have been essential to maintaining our productivity advantage worldwide against other countries that compete on the basis of lower wages. This process continues to accelerate and translates into lower costs for businesses and for consumers, who pay less at the checkout counter. In 1990, 18 percent of production was just-in-time; by 1995, it was 28 percent. In this and in other ways transportation continues to contribute to our growing productivity. Logistics costs, including transportation, as a share of Gross Domestic Product, declined from 17 per cent in 1983 to 11 percent in 1992.

But we must make a national commitment to state-of-the-art transportation if we are going to keep up this tremendous progress. ISTEA demonstrated such a commitment. The Act authorized dramatic increases in national infrastructure investment -- to expand capacity and improve performance in highways and transit, and to promote new and emerging technologies, such as Intelligent Transportation Systems.

And not only did we invest more, we worked with states and local governments to invest better. Americans got more for those transportation dollars because ISTEA provided a strategic investment framework. It did so through stronger planning requirements and through programs, such as the **National Highway System**, that focused resources on national priorities. ISTEA significantly expanded flexibility in the use of surface transportation grant funds and also provided for completion of the Interstate construction program. And ISTEA's authors also had the vision to create programs -- such as the Surface Transportation Program -- which

provided unprecedented flexibility to state and local officials to use transportation to assure that transportation investment would have positive impacts on Americans' quality of life. That's a pretty good record for any legislation.

CHALLENGES

While we can be justly proud of the national progress made under ISTEA, there are still significant challenges ahead -- ones that will require fresh thinking and creative solutions -- and continue to require federal investment and guidance. If we are to maintain our quality of life and remain competitive in the global marketplace, we must aggressively meet the following four national challenges: (1) safety, (2) continued growth of traffic and travel and its attendant congestion, (3) environmental concerns, and (4) demographic changes.

The United States is facing major changes in personal and business travel, new patterns of freight shipments, regional population shifts, fast-growing elderly and teen populations, and an explosion of information technology. Across the Nation, there are growing demands for speed and efficiency, especially from businesses, but also from individuals struggling to preserve time for family and community alongside demanding work lives. We face the dual problems of congestion and pollution, but we are finding they often can be tackled simultaneously. We must meet the demand for increased mobility for all our citizens -- rich and poor, elderly and young, disabled and able-bodied, in urban and rural areas -- to ensure their full participation in community life. Let me focus for a moment on these four challenges.

1. Safety:

We have made great progress in the face of increasing travel. Even so, transportation injuries and deaths still impose a substantial drain on the U.S. economy, along with emotional devastation for surviving friends and family members. Motor vehicle crashes are the leading killer of America's youth. After many years of steady decline, total highway deaths increased in each of the past three years -- from 39,250 in 1992 to an estimated 41,700 in 1995. These increases came prior to the repeal of the speed limit and motorcycle helmet provisions in the NHS Act. These deaths are only part of the picture; crashes result in costly injuries, productivity losses, lost travel time and increased congestion, placing a huge burden on our economy -- an estimated \$140 billion annually. The cost of medical treatment alone is estimated to be more than \$14 billion a year. The American taxpayer pays more than one-quarter of that amount to cover the Medicaid and Medicare costs associated with these injuries. The American taxpayer also has to make up for the lost tax revenue resulting from injuries and fatalities, estimated at nearly \$8 billion a year.

Even with no change in the fatality rate, projected increases in miles traveled will mean that the number of Americans killed in crashes will increase; a conservative estimate projects up to 51,000 deaths a year by 2005. Reversing this trend will be a challenge in spite of improvements in vehicle and highway design and positive behavioral changes (such as decreased drunk driving). Plainly, more effective countermeasures, greater community involvement, and leadership at the Federal, state and local

level are all called for. National research and development also will continue to play a critical role in meeting our safety goals.

Last Fall, I announced my *Action Plan to Reduce Highway Injuries and Related Costs*. We are assisting states in setting and evaluating their performance goals and providing a wide range of technical and financial assistance to assure that states have the tools, such as adequate data, to identify their problems and pursue the best strategies to resolve them. The *Action Plan* is directed toward saving lives and taxpayer dollars.

2. Travel Growth:

Traffic congestion in the nation's 50 largest cities costs travelers more than \$40 billion annually. Without a strategy that uses multi-modal solutions to this problem, delays are likely to increase over the next two decades as travel nationwide increases by a projected 60 percent. These delays translate directly into growing costs to business and ultimately are passed along to consumers.

Inadequate transportation makes it difficult for rural Americans, including Native Americans, to travel to work, to school, and to health care, and could reverse the economic improvements that better transportation has brought to previously-isolated areas. Clearly, these diverse needs demand a national vision to ensure and facilitate effective regional and local solutions.

3. Environment:

Transportation, like all human activity, also affects the natural environment. Efforts to mitigate those impacts and improve air and water quality and protect open space, wetlands, and wildlife habitat have been

remarkably successful and must be continued. As a result of Federal environmental requirements, far less pollution is emitted from cars and trucks today than twenty-five years ago. These dramatic improvements in air quality would never have occurred without a strong Federal role.

Nearly one-quarter of the areas that did not meet ozone standards in 1990, and a few areas not meeting carbon monoxide standards, are on schedule to meet air quality goals. The Environmental Protection Agency has reclassified these areas as "attainment." Nevertheless, many large cities are continuing to have problems meeting air quality standards. Transportation officials will need to continue efforts under ISTEA and the Clean Air Act to reduce air pollutant emissions from transportation. The continued rise in vehicle miles travelled warrants careful monitoring, as sometime early in the next Century increased travel could offset the air quality progress made by cleaner cars. The threat posed by global climate change, which is partly caused by motor vehicle and other transportation emissions, also must continue to be addressed through efforts to discourage travel in single occupant vehicles.

4. Demographic Changes:

Transportation affects, and is affected by, the increasing dispersion of land use patterns and cultural and demographic changes. Although the shift to the Sun Belt has slowed, other trends will continue to have an impact. For example, immigration is expected to continue, as is internal migration from urban areas to smaller towns and the new "edge cities." Among the effects of this shift from central cities to the surrounding areas are more, and longer, vehicle trips as people travel to work or shop.

Mobility for older Americans as well as those with disabilities is a critical and growing need that must be addressed. The elderly are the fastest growing component of the U.S. population, with more than one-quarter now over the age of 60. Americans over age 85 now number six million; that will increase 400 percent by 2050. The majority of these individuals are accustomed to independent mobility in self-operated vehicles. The aging of the population will require important modifications to the transportation system to make it safer for those with less keen eyesight, hearing and responses. It must be made easier to use through better signing, facility modifications and other improvements. Increasing attention will have to be given to mobility alternatives for this population, as their mobility may be a significant social, economic, and health concern. Appropriate and acceptable approaches to achieving these objectives will have to be developed and advanced through legislation or other actions. DOT is in the midst of an in-house study of these issues, to be concluded this summer.

There are no easy or one-time solutions to these problems. However, I am certain that addressing these challenges in the next reauthorization will require a strong Federal role, in partnership with all levels of government and the private sector.

THE NATIONAL INTEREST IN TRANSPORTATION

If this Nation is to retain its high standard of living and competitive edge internationally, we must have effective Federal involvement in maintaining and improving our excellent transportation. Other nations do not have the transportation infrastructure that we take for granted in the

United States. It is transportation that has set us apart from the rest of the world. The *Wall Street Journal* recently tracked the slow travel of Wrigley's chewing gum on a 1,000 mile trip from a factory in China's Pearl River delta to a consumer in Shanghai -- a trip that took several months and involved freighters, trucks, tricycle carts and bicycles. Most manufacturers in Asia could not even imagine "just-in-time" production: an Indian exporter's cost advantage over western competitors is eroded by around 30 percent, simply because of costs and delays of transportation. Gridlock is common in parts of Asia -- for goods and for people. Greater Jakarta, for example is home to 16 million people, and it has no subway. The annual cost of gridlock in Bangkok is estimated at \$3.2 billion.

To catch up with the United States, many nations around the world are making huge commitments to transportation infrastructure. I was in Asia in November and learned that those fast-growing economies -- many of them our competitors in the global marketplace -- are planning to invest \$1.2 trillion in infrastructure over the next 10 years, with over \$500 billion in transportation alone. Vietnam plans to invest \$20 billion in the transportation sector. Thailand is planning to invest \$125 billion in public works over the next decade, \$52 billion in transportation. The Malaysians plan to spend \$48 billion on infrastructure -- about half on transportation. The Philippines are expected to spend \$14 billion on transportation. These countries are pursuing national transportation investment strategies to overcome the fragmented, inefficient transportation they now have.

Transportation capital investment by the government of Japan, as a proportion of Gross Domestic Product, is about four times that of the

United States. And our European allies invest at a rate substantially above ours. Japan and other Asian governments will spend upwards of one trillion dollars on infrastructure by the Century's end. European governments are spending even more on a continent-wide system of high-speed rail and motorways. Our global competitiveness hinges on the efficiency of our transportation system -- in part because of the very size of our Nation: in Japan, the average journey from manufacturer to the export shipping point is fifty miles; in the U.S., it is about 450 miles. We are examining transportation improvements, particularly in North-South corridors and along the border of Mexico and Canada that will facilitate enhanced trade resulting from NAFTA. Another significant factor in freight movement has been the shift to East-West-Pacific-oriented flows, affecting not only the size and direction of rail traffic, but causing ports in Los Angeles and Long Beach to increase their market share. On a broader scale, it is critical that we assure that our connections across the country -- to ports, airports and major transportation facilities -- effectively link us to our global partners.

How well is the United States doing? Are we going to be able to retain our competitive edge? The Department's recent report on the state of America's infrastructure concludes that we have a \$17 billion annual shortfall in what we should be investing just to keep our system in good working order. That report is a wake-up call. We can begin to close the gap by doing two things. First, we can invest in intelligent transportation technologies that will make our current infrastructure more efficient -- and at lower cost. Indeed, we believe that as much as 2/3rds of the capacity

that we will need in our Nation's most congested corridors can be provided by intelligent transportation systems at less than one-fourth the cost of normal construction. Second, we can marshal more resources for transportation investments, through innovative financing and encouraging the private sector to participate, as is the case in Asia. Indonesian officials, for example, want over 40 percent of their infrastructure projects to be privately financed.

The challenges before us are national in scope, and they require national solutions. Traffic congestion and bottlenecks in major trade centers like Los Angeles and Chicago not only impose delays on local commuters and regional freight, they also interfere with the speedy cargo movements essential to maintain our global competitiveness. Efficient mass transit systems are essential for our regional economies to compete with world business centers in Europe and Asia, and to assure that all our citizens have access to national priorities such as health care, education and job training. And the Members of this Committee are well aware of the significance that we, as a Nation, have placed on improving the environment and upgrading safety. These challenges cannot be solved on a piece-meal basis, but rather require coordinated national strategies, in partnership with state and local governments, businesses and other transportation customers.

POLICY PRINCIPLES

As we begin the legislative process, I want to reemphasize that the Administration's long-term vision of the Nation's transportation system is that spelled out in our DOT Strategic Plan. It envisions a seamless

intermodal transportation system that effectively ties America together and links it to the world -- a system that will provide safe, efficient and environmentally friendly movement of people and the products they use. And it is worth underscoring that we need a transportation system equipped to meet our national security needs -- to respond to disasters, and to move people and goods, for both military and civilian purposes, in times of national emergency.

Building Blocks

ISTEA marked a turning point in putting this vision into practice, and its successor should be based upon that same vision. The question is: how do we get there, in an era of budget constraint? We believe ISTEA has provided a solid framework for us to build upon. There will be discussion and debate about some of the programmatic elements -- lively debate, I'm sure. But the successor to ISTEA must retain the core elements -- the building blocks, as we call them -- that have made ISTEA such a success in just a few short years.

Promote intermodalism

As ISTEA's Declaration of Policy specifically acknowledged, we cannot treat our transportation infrastructure as a collection of individual modes competing with each other. We need to see our transportation facilities **as a national system**, with each mode complementing the others, and **working together** as a whole for the benefit of all users. ISTEA brought us closer to that goal, in several ways. First, it gave state and local governments the responsibility for planning all aspects of their state and regional transportation systems, and gave them more funding

flexibility to pursue the goal of a more efficient, integrated transportation system. Second, ISTEA created mechanisms for funding projects connecting the different components of our transportation system.

Through the CMAQ program -- the flexible, environmentally-oriented category in ISTEA -- we have funded an innovative truck-rail transfer facility in Stark County, Ohio and projects in Portland, Oregon and Seattle, Washington designed to unsnarl traffic and improve rail and truck access to the commercial waterfront. The Port of Oakland has joined with several railroads -- Southern Pacific, Union Pacific, and Burlington Northern Santa Fe -- to put in place a \$165 million project which consolidates rail activity into a single jointly-operated terminal that serves all lines. These projects -- which help reduce vehicular congestion, improve safety and air quality, and provide better access into the port area so we can accommodate the increased volume of trade -- show that there does not have to be a tradeoff between jobs and the environment.

Recently, the Department announced its intention to fund the BART extension to San Francisco International Airport, our Nation's fourth busiest airport. This project will enhance transit access throughout the Bay Area and provide direct access to the airport. In the St. Louis area, the MetroLink transit system, which recently opened, includes a station providing direct access to the airport. And in suburban Minneapolis, park and ride facilities with shopping and other services are turning transportation connections into tools for economic development and quality of life improvement.

The NHS was designed with a special focus on linkages to other modes. As required, the Department will submit to the Congress next month our proposal for modifying the NHS by designating intermodal connectors to major ports, airports, international border crossings, public transportation and transit facilities, interstate bus terminals, and rail and other intermodal transportation facilities. And let me recognize this Committee's important role in enacting NHS designation legislation last year; NHS will be an important framework for the future.

Although ISTEA did much to encourage intermodalism and to fund innovative connecting facilities, projects that involve multiple modes of transportation and public and private sector players or cut across state and regional boundaries are difficult to finance. Such projects are often too big or complex to compete for funds from existing programs.

In Miami, Florida, efforts are underway to plan a transit facility, known as the Miami Intermodal Center, to link Miami International Airport to the Port of Miami, a major cruise ship center. This is a good example of how all levels of government -- city, county, state and Federal -- together with officials from different modes of transportation -- the airport, port, transit and highways -- can work together to accomplish mutual goals.

An example of a very large nationally-significant project is the Alameda Corridor in Los Angeles. The Administration's FY 97 budget request for DOT includes our request to fund a \$400 million loan for project construction that will help complete the \$1.9 billion public/private funding package. The corridor will consolidate 90 miles of rail operations

into a single 20-mile, high-capacity facility to dramatically upgrade rail access to the ports of Los Angeles and Long Beach, which handle one-fourth of all U.S. waterborne international trade, primarily with the burgeoning economies of the Pacific Rim nations. The project will benefit the entire country because it will enable these ports -- the largest container ports in the United States -- to accommodate increased international trade cheaply and efficiently. It will deliver other major benefits by eliminating 90 percent of traffic delays affecting cars and trucks at at-grade railroad crossings that have created congestion and safety concerns for local communities.

These examples underscore how important it is that reauthorization continue the progress toward intermodalism -- so that modal categories of the 19th and early 20th century do not dictate the transportation system of the future. We must look at ways to promote and finance projects of national significance -- projects that have benefits that extend beyond state and local jurisdictions and include multiple modes and multiple players. Post-ISTEA legislation should ensure that ISTEA's "I" -- *intermodal* -- remains a focus of Federal policy.

Improve planning and public participation

Sound transportation systems cannot be created without the involvement of those affected. ISTEA brought new players to the table. The goal was to make the process of setting transportation priorities more informed and more inclusive. And state and local governments are responding. Wisconsin, for example, has been aggressive in creating opportunities for the public to participate in transportation planning --

instituting listening sessions, issue-specific fora and regular newsletters. Special outreach efforts were undertaken to reach minorities and the elderly, disabled and low income groups. In all, more than 10,000 persons have been involved in the public outreach process in Wisconsin. Similar effort have been made throughout the country -- in Atlanta, Georgia and Boise, Idaho, to name a couple of other leading examples. Also, we should mention that Federal land management agencies and tribal governments are now being involved in statewide and metropolitan transportation planning.

And a more inclusive process does yield real results -- in the form of better, more feasible and more publicly acceptable plans. The plans being developed by states and Metropolitan Planning Organizations (MPOs) through the ISTEA processes are more viable. The fiscal constraint requirements ISTEA applied to these Transportation Plans means they reflect the reality that planning requires hard choices based on available funding.

The comprehensive planning and public participation requirements established by ISTEA help to assure that a full range of social, economic, and community impacts are taken into consideration as investment decisions are being made. They connect transportation decisions with other **community** concerns -- land use, environment, and quality of life -- to make **communities** more liveable. A good example is in Chester, Pennsylvania, where the Southeastern Pennsylvania Transportation Authority worked closely with the community to plan, design and construct community services within a rehabilitated Chester Transportation

Center. In addition to community service components, the center will improve pedestrian and bus access and enhance safety.

There should be no question of turning back. ISTEA's successor must continue to guarantee that investment decisions are the product of a systematic, inclusive planning process -- an informed political decision. We do need to look, however, at whether there are better ways to achieve our objective of informed and wise decisionmaking.

Empower state and local officials

ISTEA consolidated categories into new modally-flexible programs such as the Surface Transportation Program and CMAQ and increased state and local officials' ability to target funds to projects that made sense for their communities. State and local governments have responded enthusiastically to the increased flexibility in Federal programs. In the past three years more than \$2 billion has been flexed between modes -- \$800 million in FY 1995 alone. For example, New York City Transit Authority transferred \$125 million from highway to transit projects to assist in major repairs, including rehabilitation of existing stations, the addition of new safety features and signal work.

By their own actions, state and local governments have demonstrated a commitment to even greater flexibility. Under Governor Whitman, New Jersey has shifted additional state trust fund resources to transit. The State of Missouri is now considering proposals to use state funds to support Metrolink, St. Louis' hugely successful new light rail system, and in Wisconsin, Governor Thompson shifted state funds to support a top priority ineligible for Federal funds -- maintaining passenger

rail services. ISTEAs successor should continue leveling the playing field so that all types of projects -- including perhaps rail and intermodal projects -- can be chosen based on their transportation merit, rather than whether they fall into some fixed category.

Strengthen partnerships

In order to meet the transportation challenges of the 21st Century, we will have to draw upon the talents and creativity of all levels of government and the private sector. In the past three years, we have taken major steps in that direction. For example, in Glendale, California, a public-private partnership of the Glendale Transportation Management Associates, Nestle USA Inc., and Commonwealth Land Title took on the challenging question: how can private companies help clean the air? In June 1993, in a program partly supported by CMAQ funds, Nestle and Commonwealth Title began rewarding employees who voluntarily chose alternatives to driving alone. An evaluation of this demonstration program found that, with a modest investment of start-up funds, the average vehicle occupancy increased by approximately one-third, suggesting the possibility of achieving dramatic reductions in the number of vehicles clogging the roads of the Los Angeles basin.

When ISTEAs charged DOT with looking at the costs of non-use of safety belts and motorcycle helmets, we saw an opportunity for the safety community to form a partnership with the health community. The Crash Outcome Data Evaluation System, or CODES, enabled officials in seven states to quantify, for the first time, the costs of motor vehicle crashes to their economy and to the public purse. Crashes place a substantial

burden on Medicaid and Medicare and approaches like CODES help policy makers quantify this burden. Once Maine policymakers saw the state's own costs from non-use of safety belts, Maine last year became the 49th state to enact a safety belt law.

The Safe Communities initiative will encourage the creation of community coalitions, where citizens, medical and health workers, elected officials, business people, police and others work together with a solid plan of action to prevent traffic injuries. States and communities are excited about the great potential they see for this program and the partnerships it will establish.

Through its partnership with the states, the Federal Highway Administration has created a highly effective national commercial vehicle safety program. All of the states are now participating in the Motor Carrier Safety Assistance Program (MCSAP) and have adopted and continue to enforce uniform minimum safety standards for interstate commercial vehicles. As part of this program, state law enforcement officers have conducted almost two million roadside inspections and traffic enforcement stops, as well as 8,000 on-site reviews of trucking companies. Since 1984, the number of fatal commercial vehicle crashes has fallen 10 percent. Moreover, the trucking industry benefits because the program has eliminated duplicate inspections and conflicting safety regulations among the states.

We recognize that new partnerships must be forged with other countries as well. As we compete in a global economy, it is essential that

we work to improve transportation that facilitates the effective movement of our Nation's goods.

ISTEA strengthened the traditional Federal-state partnership and expanded it to include local governments, metropolitan planning organizations, and the private sector. Post-ISTEA legislation should build upon these successful relationships. We also need to bring in all the resources and talent available.

Encourage performance management

Performance management is a way of getting at the question raised by the National Performance Review: "How can we get government to work better and cost less?" One key way is to focus on outcome-oriented goals for performance of the entire system -- such as how long it takes to get between two points -- rather than looking at how much money has been obligated. Greater reliance on performance management will allow us to account better for the use of public resources. It will encourage strategies -- such as preventive maintenance and Intelligent Vehicle Systems technologies -- that, in some cases, improve the performance of the existing system more efficiently than new construction alone would.

There are many examples of innovative strategies that seek to deliver better performance through better management of existing infrastructure. In the San Francisco Bay Area, a fleet of 50 specially equipped tow trucks travel on congested freeways during peak periods, to clear accident debris and to minimize the possibility of secondary accidents or back-ups. This service was funded in part by \$3.3 million in CMAQ money. In Denver, a \$700,000 investment of CMAQ money in a

Traffic Signal System Improvement Program has reduced average travel times by 15 to 20 percent, saved nearly 1,800 gallons of fuel per day and cut daily carbon monoxide emissions by more than two tons. These kinds of efficiencies and savings were precisely what the National Performance Review envisioned.

Another example of effective performance management is the sixteen state pilot program that is testing a performance-based approach for the Department's section 402 highway safety grant program. In that program, participating states are invited to set their own performance goals and measures and to develop unique strategies, rather than relying on a Federally-prescribed set of tactics.

Oregon has adopted a performance measurement approach in managing many of its programs and has made a proposal that it be allowed to administer the state's Federal transportation funds in this way, on a pilot basis. We need to look closely at innovative strategies of this kind if we are serious about shifting from process to product. We want to get away from being prescriptive, but we must be mindful that we do not establish something that is even more cumbersome than the present approach. What we are seeking is for each state to set goals and measure its own progress.

Promote innovative financing

Competition for scarce public resources continues to intensify. ISTEA offered new opportunities for cutting red tape that delays projects, for stretching the Federal dollar and for accessing private capital for transportation investment. But early on, there was no effort to capitalize

on these opportunities. So in 1994, we at the Department began our Partnership for Transportation Investment program to jump start that process. I issued a challenge to states and localities: if you can come up with new ways to finance projects, we will waive the usual Federal procedural requirements. The response was overwhelming. Barely a year later we have approved more than 70 new projects around the country. At least \$4 billion worth of projects that would have been delayed -- or never built at all -- are getting underway right now -- all without spending any new money.

The techniques are often simple -- allowing Federal money to be used for credit enhancement so projects can borrow in the private capital markets; changing outdated accounting rules so Federal dollars can be drawn down in a way that corresponds with real-world cash flow needs; counting developer contributions and toll revenue toward state and local match. The result is a revolution in Federal transportation finance.

There are outstanding projects all around the country. In Newark, a new viaduct at a major interchange is being built, using phased funding which allows contractors to begin work a year earlier than if the state had to accumulate the entire Federal share up front. In Texas, we formed a partnership with the Texas DOT and the Texas Turnpike Authority to build the State Highway 190 Turnpike near Dallas. This project was made possible by allowing the Texas DOT to use Federal money to make a \$135 million low interest loan to the Turnpike Authority as seed money. This arrangement means that the project will be completed 11 years earlier than it would have been with conventional financing.

In Cincinnati, a serious rail-freight and highway congestion problem, with related air quality implications, is being addressed through an innovative public-private partnership of the Norfolk Southern Railway and state and local governments. Norfolk Southern has advanced funding to construct a third main track and will be partially reimbursed with CMAQ funds. The Washington, D.C. area will get a brand-new Metro station -- at no cost to the public -- because innovative finance made it possible to capture some of the benefits a new private development will receive from having good transit access.

In Santa Clara County, California, a \$250,000 investment of the Federal Transit Administration in a park-and-ride facility near a light rail station will allow Santa Clara to reap significant benefits from lease payments by the private developer of an adjacent housing development.

Last year, advance construction authority by the Federal Transit Administration allowed the Massachusetts Bay Transit Authority to issue bonds to finance reconstruction of the Boston Engine Terminal. As a result, Massachusetts undertook the project seven years earlier than originally planned and saved over \$90 million in construction costs.

The NHS Act authorized a pilot program for State Infrastructure Banks (SIBs) which builds upon this progress. By the end of this year, we will have selected all ten states to participate in the pilot program and expect to have Infrastructure Banks established in each. Of the eight selected to date, six have proposed dual accounts that will offer innovative finance options for both transit and highway projects. We believe that

ISTEA's successor should continue efforts to create new ways of providing the transportation America needs.

Encourage new technologies

Cleaner, safer, and more efficient transportation has often come because of new technologies -- some entirely new, such as the automobile, and some that have made previous advances safer or more efficient, such as seat belts. Continued development and use of advanced technology are vital if such progress is to continue. Under ISTEA, there is a renewed emphasis on applying technology that will close the gap between the state-of-the-art and the state-of-the-practice. By emphasizing deployment of technologies, we can translate innovation into improved safety, system capacity, efficiency and travel time. Investment in research and development has been expanded, both through increased funding and through new partnerships with the private sector.

Advances such as Intelligent Transportation Systems and Global Positioning Satellite systems are products of such initiatives. Transit agencies are already using Advanced Public Transportation Systems to track bus locations and collect fares automatically, which gives riders more reliable service and reduces operating costs.

The Federal Highway Administration is working with states to develop advanced technologies that allow safe motor carriers to legally by-pass the weigh and safety inspection devices along the highway. Electronic tags and automated brake inspection devices further reduce delays for the trucking industry while improving the efficiency of the states' programs.

In partnership with the transit industry, the Federal Transit Administration is working on a project that will shave over 10,000 pounds from a typical 30,000 pound bus. This new low-weight bus uses advanced materials and a high-efficiency drive system to save fuel, reduce emissions, ease maintenance, and provide a longer lasting non-corrosive body.

In January, I launched *Operation TimeSaver*, a new initiative designed to cut the daily travel time of Americans living in congested metropolitan areas by 15 percent over the next ten years. Americans who commute just two hours a day would save 80 hours a year, the equivalent of a two-week vacation.

Michigan is part of a multi-state project which allows transponder-equipped and properly-documented trucks to travel any segment of I-75 with minimal stopping at weigh/inspection stations.

We must do in surface transportation what aviation has done. Today we are landing twice as many planes as in the 1960's and 1970's. Why? Because we pushed the envelope. We learned how to squeeze more capacity. And we brought in technologies -- GPS, doppler weather radar and airport surface detection systems. We have some preliminary results from *Operation TimeSaver*. In Lexington, Kentucky, stop-and-go traffic has been reduced by 40 percent as a result of the computerized traffic system. In Seattle, ramp metering has cut accident rates by more than 60 percent, even though there has been an increase in traffic.

Preliminary estimates by the National Highway Traffic Safety Administration suggest that if all vehicles were equipped with crash

avoidance systems, this would reduce crashes by 17 percent and prevent up to 1.1 million crashes, resulting in savings of about \$23 billion annually.

ISTEA reauthorization legislation should continue this commitment to the development and application of appropriate technologies to benefit our transportation system as a whole.

Encourage better infrastructure investment and management

Continually improving the performance of infrastructure investment programs is always essential, but especially so in an era of limited public funding. ISTEA's successor should continue to encourage state and local officials to base investment decisions on systematic cost-benefit analysis, and to adopt operational, maintenance, and pricing practices that maximize the efficiency of, and return on, investment.

CONCLUSION

ISTEA is visionary legislation, and its central elements -- strategic infrastructure investments, intermodalism, flexibility, intergovernmental partnership, a strong commitment to safety, enhanced planning and strategic investment--should be preserved. These elements should serve as the foundation for the next surface transportation reauthorization. Over the course of the next 17 months, all parts of the transportation community, from both public and private sectors, will examine the merits of ISTEA and debate the details of the new legislation. I look forward to that debate.

Heading into this reauthorization cycle, it is important to ask the right questions. The forces shaping the debate over the general role of

government in our society will affect the debate over the fate of this reauthorization. What should the national interest be in our surface transportation programs? What has worked under ISTEA, and what has not? How can we increase our resources, and how can we benefit more from the fiscal resources we have? Should we expand eligibility for Federal funds, for example to rail and intermodal projects? What can we do to improve our safety record?

Most of these questions require further study and discussion. But I am confident that in one case -- the Federal role -- the answer is clear. We do need strong Federal leadership in surface transportation. As President Clinton recently pointed out, the Interstate Highway System brought Americans closer together, connecting region to region, city to city, and family to family in ways that were undreamed of a half-century ago. That same spirit has been a driving force for government investment in transportation.

Efficient national cargo movement is key to our ability to benefit from expanding trade opportunities. Truckers and other freight operators need national uniformity in both facilities and regulatory standards. We cannot achieve other key national priorities -- linking Americans to jobs, health care and education -- without efficient transportation. And the challenges we face in the areas of safety and the environment do not stop at state borders. The National Minimum Drinking Age Law -- which is credited with saving more than 10,000 lives from 1985 to 1995 -- illustrates the importance of the Federal role.

There are significant challenges ahead with a lot of work to do. In partnership with our colleagues in the states and local communities, and with the private sector, I believe that we at the Federal level have a leadership role in meeting those challenges.

Mr. Chairman, that concludes my prepared statement. My colleagues and I will be happy to answer any questions. I look forward to working with you and other Committee members on reauthorization of these important surface transportation programs. Clearly, we can all agree that investment in our Nation's transportation infrastructure is vital to preserving our competitive advantage throughout the world and maintaining the well being of our citizens.